

## Interim Report

for the six months ended 31 December 2003

### Salient Points

- ▶ **Headline earnings maintained off lower revenues and operating profit**
- ▶ **Operating margin remains strong at 4,5%**
- ▶ **Interim dividend maintained and supported by improved cash flow**

## **Executive summary**

We have maintained focus on our performance commitment in what has become a challenging year for Murray & Roberts and our associated industries. The general level of construction activity in South Africa has remained buoyant but new investment in major projects has stalled under the local impact of a weakened US Dollar and domestic investment uncertainty.

Manufacturing from South Africa has become relatively expensive for global markets, intensifying our internal focus on product and process improvement. International engineering and construction markets still offer focused opportunity but local country conditions increasingly dominate project risks. We are cautious on the rest of Africa, positive on Australasia and have increased our market capability in the Middle East.

With China set to dominate trade and investment affecting our sector over the next decade at least, Murray & Roberts is actively seeking new opportunities to access the potential of this growing market.

**Brian Bruce**  
*Group Chief Executive*

The unaudited results for the six months to 31 December 2003 are set out below:

## SUMMARISED CONSOLIDATED INCOME STATEMENT

| (R millions)   | Unaudited<br>6 months to<br>31.12.03 | Unaudited<br>6 months to<br>31.12.02 | Audited<br>12 months to<br>30.06.03 |
|--|--------------------------------------|--------------------------------------|-------------------------------------|
| <b>Revenue</b>   | <b>4 163</b>                         | 5 177                                | 10 111                              |
| <b>Earnings before interest, exceptional items, depreciation and amortisation (EBITDA)</b> | <b>281</b>                           | 379                                  | 844                                 |
| Depreciation   | (92)                                 | (116)                                | (218)                               |
| Amortisation of goodwill   | (2)                                  | (2)                                  | (5)                                 |
| <b>Earnings before interest and exceptional items (EBIT)</b>                               | <b>187</b>                           | 261                                  | 621                                 |
| Exceptional items  | –                                    | –                                    | (5)                                 |
| Headlease and other discontinued property activities                                       | (2)                                  | (4)                                  | (54)                                |
| Other  | 2                                    | 4                                    | 49                                  |
| <b>Earnings before interest and taxation</b>   | <b>187</b>                           | 261                                  | 616                                 |
| Interest   | 15                                   | (51)                                 | (66)                                |
| Net interest income (expense)  | 15                                   | (2)                                  | (17)                                |
| Unrealised currency loss on offshore treasury funds  | –                                    | (49)                                 | (49)                                |
| <b>Earnings before taxation</b>  | <b>202</b>                           | 210                                  | 550                                 |
| Taxation   | (30)                                 | (29)                                 | (74)                                |
| <b>Earnings after taxation</b>   | <b>172</b>                           | 181                                  | 476                                 |
| Income from associate  | 59                                   | 50                                   | 97                                  |
| Minority shareholders' interest  | (2)                                  | (1)                                  | (9)                                 |
| <b>Earnings attributable to ordinary shareholders</b>                                      | <b>229</b>                           | 230                                  | 564                                 |
| <b>Reconciliation of headline earnings</b>   |                                      |                                      |                                     |
| Attributable earnings  | 229                                  | 230                                  | 564                                 |
| Exceptional items as above   | –                                    | –                                    | 5                                   |
| Amortisation of goodwill   | 2                                    | 2                                    | 5                                   |
| Non-headline portion of income from associate  | 3                                    | 4                                    | 8                                   |
| <b>Headline earnings</b>   | <b>234</b>                           | 236                                  | 582                                 |
| Average number of ordinary shares in issue ('000)  | <b>331 893</b>                       | 331 893                              | 331 893                             |
| <b>Earnings per share</b>  |                                      |                                      |                                     |
| – attributable (cents)   | <b>69</b>                            | 69                                   | 170                                 |
| – headline (cents)   | <b>71</b>                            | 71                                   | 175                                 |
| <b>Dividend per share (cents)</b>  | <b>15.0</b>                          | 15.0                                 | 52.5                                |
| <b>Operating cash flow per share (cents)</b>   | <b>28</b>                            | (7)                                  | 107                                 |

## SUMMARISED CONSOLIDATED BALANCE SHEET

| (R millions)                          | Unaudited<br>6 months to<br>31.12.03 | Unaudited<br>6 months to<br>31.12.02 | Audited<br>12 months to<br>30.06.03 |
|---------------------------------------|--------------------------------------|--------------------------------------|-------------------------------------|
| <b>ASSETS</b>                         |                                      |                                      |                                     |
| Non-current assets                    | 1 955                                | 1 930                                | 1 909                               |
| Property, plant and equipment         | 1 046                                | 1 253                                | 1 179                               |
| Associate company – Unitrans Limited  | 598                                  | 524                                  | 571                                 |
| Other investments                     | 311                                  | 153                                  | 159                                 |
| Current assets                        | 3 210                                | 4 036                                | 4 232                               |
| Accounts receivable and other         | 2 132                                | 2 634                                | 2 688                               |
| Bank balances and cash                | 1 078                                | 1 402                                | 1 544                               |
| Total tangible assets                 | 5 165                                | 5 966                                | 6 141                               |
| Goodwill                              | 8                                    | 13                                   | 10                                  |
| <b>TOTAL ASSETS</b>                   | <b>5 173</b>                         | <b>5 979</b>                         | <b>6 151</b>                        |
| <b>EQUITY AND LIABILITIES</b>         |                                      |                                      |                                     |
| Permanent capital                     | 2 523                                | 2 546                                | 2 572                               |
| Ordinary shareholders' funds          | 2 513                                | 2 538                                | 2 559                               |
| Minority shareholders' interest       | 10                                   | 8                                    | 13                                  |
| Non-current liabilities               | 392                                  | 478                                  | 515                                 |
| Long-term provision                   | 176                                  | 260                                  | 243                                 |
| Long-term loans                       | 162                                  | 165                                  | 218                                 |
| Deferred taxation                     | 54                                   | 53                                   | 54                                  |
| Current liabilities                   | 2 258                                | 2 955                                | 3 064                               |
| Accounts payable and other            | 2 188                                | 2 770                                | 2 806                               |
| Bank overdrafts and short-term loans  | 70                                   | 185                                  | 258                                 |
| <b>TOTAL EQUITY AND LIABILITIES</b>   | <b>5 173</b>                         | <b>5 979</b>                         | <b>6 151</b>                        |
| Net asset value per share (cents)     | 757                                  | 765                                  | 771                                 |
| <b>SUPPLEMENTARY INFORMATION (Rm)</b> |                                      |                                      |                                     |
| <b>Commitments</b>                    |                                      |                                      |                                     |
| Capital expenditure                   |                                      |                                      |                                     |
| – spent                               | 108                                  | 119                                  | 238                                 |
| – authorised but unspent              | 246                                  | 246                                  | 405                                 |
| <b>Operating lease commitments</b>    | <b>146</b>                           | <b>88</b>                            | <b>176</b>                          |
| <b>Contingent liabilities</b>         | <b>15</b>                            | <b>10</b>                            | <b>16</b>                           |

## SUMMARISED STATEMENT OF CHANGES IN EQUITY

| (R millions)  | Unaudited<br>6 months to<br>31.12.03 | Unaudited<br>6 months to<br>31.12.02 | Audited<br>12 months to<br>30.06.03 |
|---|--------------------------------------|--------------------------------------|-------------------------------------|
| Opening balance   | 2 559                                | 2 648                                | 2 648                               |
| AC 133 transitional adjustment                              | –                                    | –                                    | (33)                                |
| Earnings attributable to ordinary shareholders              | 229                                  | 230                                  | 564                                 |
| Movement in non-trading financial asset reserve             | –                                    | –                                    | 13                                  |
| Movement in hedging reserve                                 | –                                    | –                                    | (5)                                 |
| Foreign currency translation movement on investments        | (141)                                | (215)                                | (440)                               |
| Change in cost of shares held by The Murray & Roberts Trust | (10)                                 | (9)                                  | (22)                                |
| Dividend declared and paid                                  | (124)                                | (116)                                | (166)                               |
|   | <b>2 513</b>                         | <b>2 538</b>                         | <b>2 559</b>                        |

## SUMMARISED CONSOLIDATED CASH FLOW STATEMENT

| (R millions)   | Unaudited<br>6 months to<br>31.12.03 | Unaudited<br>6 months to<br>31.12.02 | Audited<br>12 months to<br>30.06.03 |
|--|--------------------------------------|--------------------------------------|-------------------------------------|
| Cash generated by operations before working capital changes                  | 274                                  | 367                                  | 824                                 |
| Increase in working capital  | (156)                                | (359)                                | (369)                               |
| Cash generated by operations   | 118                                  | 8                                    | 455                                 |
| Interest and taxation  | (24)                                 | (31)                                 | (99)                                |
| <b>Operating cash flow</b>   | <b>94</b>                            | <b>(23)</b>                          | <b>356</b>                          |
| Dividends paid   | (124)                                | (116)                                | (166)                               |
| Dividends paid to minority shareholders                                      | -                                    | -                                    | (4)                                 |
| Cash (utilised) retained in operations                                       | (30)                                 | (139)                                | 186                                 |
| Net investment activities  | (81)                                 | (90)                                 | (142)                               |
| Net funds flow   | (111)                                | (229)                                | 44                                  |
| Unrealised currency loss on offshore treasury funds                          | -                                    | (49)                                 | (49)                                |
| Net funds flow including unrealised currency loss on offshore treasury funds | (111)                                | (278)                                | (5)                                 |

## SEGMENTAL ANALYSIS

| (R millions)                                | Unaudited<br>6 months to<br>31.12.03 | Unaudited<br>6 months to<br>31.12.02 | Audited<br>12 months to<br>30.06.03 |
|---|--------------------------------------|--------------------------------------|-------------------------------------|
| <b>REVENUE</b>                              |                                      |                                      |                                     |
| Construction operations                     | 1 750                                | 1 998                                | 3 981                               |
| Engineering contracting and services        | 337                                  | 511                                  | 955                                 |
| Construction services and material supplies | 1 474                                | 1 701                                | 3 383                               |
| Fabrication and manufacture                 | 602                                  | 816                                  | 1 521                               |
| Corporate                                   | -                                    | 22                                   | 30                                  |
| Ongoing operations                          | 4 163                                | 5 048                                | 9 870                               |
| Discontinued operations                     | -                                    | 129                                  | 241                                 |
| <b>Revenue as reported</b>                  | <b>4 163</b>                         | <b>5 177</b>                         | <b>10 111</b>                       |
| <b>EBIT</b>                                 |                                      |                                      |                                     |
| Construction operations                     | 32                                   | 68                                   | 187                                 |
| Engineering contracting and services        | 46                                   | 44                                   | 116                                 |
| Construction services and material supplies | 126                                  | 122                                  | 288                                 |
| Fabrication and manufacture                 | 30                                   | 68                                   | 111                                 |
| Corporate                                   | (47)                                 | (42)                                 | (95)                                |
| Ongoing operations                          | 187                                  | 260                                  | 607                                 |
| Discontinued operations                     | -                                    | 1                                    | 14                                  |
| <b>EBIT as reported</b>                     | <b>187</b>                           | <b>261</b>                           | <b>621</b>                          |

Note:

- The accounting policies and methods of computation for the six months ended 31 December 2003 are in all material respects consistent with those applied in the prior year and are in accordance with South African Statements of Generally Accepted Accounting Practice.

## Commentary

Adverse market conditions have slowed the pace of Rebuilding Murray & Roberts in the first half of this financial year. The strong SA Rand is a major cause of the 20% reduction in revenues to R4,2 billion (2002: R5,2 billion). The operating margin of 4,5% (2002: 5,0%) reflects the pressure on manufacturing profits and the challenging market conditions associated with international construction.

Headline earnings are maintained at 71 cents per share (2002: 71 cents per share) off an operating profit (EBIT) down by 28% at R187 million (2002: R261 million) and a significant improvement of R66 million in net interest received compared with the corresponding period in the previous year.

Surplus funds in the Group's international treasury were redeployed to strengthen the balance sheets of selected offshore operations with effect from 1 January 2003. No loss arises in the income statement in the current period (2002: R49 million).

Operating cash flow was R94 million compared to a R23 million outflow in the previous corresponding period. Included in the working capital increase of R156 million (2002: R359 million) is the settlement of a troublesome property headlease at a cost of R42 million, which had been provided in a previous period.

The Group is on track to maintain a return above 20,0% on average shareholders funds in the full year to 30 June 2004.

The directors have maintained an interim dividend at 15 cents per share in respect of the half-year ended 31 December 2003. Attention is drawn to the formal dividend announcement contained herein.

## Performance

In the business update to shareholders presented at the annual general meeting in October 2003, the Group defined the environmental framework for performance in the current financial year. It was noted that order books are under pressure in some sectors and that specific international contracting risks have increased.

The average exchange rate for the period under review is R6,99 to the US Dollar, a reduction of 33% compared with the corresponding period in the previous year.

The Group's project order book stood at R4,0 billion at 31 December 2003, down 12% in real terms in the first six months of the year. Almost half this reduction is the result of awarded project terminations in the South African mining sector. Rationalisation and cost reduction measures have continued throughout the projects sector, enabling the Group to remain selective in its pursuit of quality opportunity.

A reversal in operating profit of R8 million in the roads sector and R30 million in the Middle East compared with the corresponding period in the previous year reflects the extent of problems experienced in these international contracting markets. As a result, construction operations delivered a reduced operating profit of R32 million (2002: R68 million) on revenues of R1,75 billion (2002: R2,0 billion) at a margin of 1,8% (2002: 3,4%).

Continued buoyancy in the domestic general construction economy allowed the construction services and material supplies sector to deliver operating profits of R118 million (2002: R114 million) on revenues of R1,33 billion (2002: R1,51 billion) at a margin of 8,9% (2002: 7,6%). Demand for various forms of steel product is under pressure, with pricing issues impacting comparative affordability in the sector.

Improved performance from mechanical, electrical and instrumentation contracting enabled the engineering contracting and services sector to deliver operating profits of R46 million (2002: R44 million) on revenues of R337 million (2002: R511 million) at a margin of 13,6% (2002: 8,6%). The dearth of new project opportunity in this sector represents one of the Group's critical challenges into the immediate future.

The relative strength of the SA Rand against currencies in the Group's principal export markets has impacted severely on domestic manufacturing competitiveness. The manufacture and supply of automotive and transport products delivered lower operating profits at R24 million (2002: R60 million) on revenues of R484 million (2002: R670 million) at a margin of 5,0% (2002: 9,0%). The tank container market has suffered particular distress, inflicting a reversal of R40 million compared to the previous year. Foundries operations are hedged and have maintained performance.

Industrial services companies in the Group delivered operating profits of R14 million (2002: R16 million) on revenues of R262 million (2002: R335 million).

Cash on hand is R1,08 billion, again reflecting the conversion impact of a stronger SA Rand and the first-half increase in working capital. Approximately half the Group's cash is denominated in hard currencies, which are required to support the performance bond and guarantee requirements of international contracting activities.

### **Associate**

Unitrans Limited, in which the Group has a 44,7% interest, delivered headline earnings up 15,0% at R138 million (2002: R120 million) on revenues of R4,4 billion (2002: R3,7 billion). Attributable earnings grew to R131 million (2002: R112 million).

Details are available in the Unitrans interim report published on 24 February 2004.

### **Exceptional Items**

Trading in the property headlease portfolio has been within budget through the current period and no additional provision is necessary at this stage.

### **Acquisitions and Disposals**

Completion is imminent on transactions to dispose of the Elgin and Pefco industrial services companies based in Durban. These transactions will be at net asset value.

Following due diligence, the Group is finalising an offer for the acquisition of 79,13% of the shares of The Cementation Company Africa Limited and 100% of the mining contracting business of Cementation in Australia and Canada. The transaction remains subject to approval by the South African competition authorities and the JSE Securities Exchange South Africa.

### **Prospects**

Rebuilding Murray & Roberts remains an absolute focus for the Board and executive management of the Group. The directors are confident that the work to date provides sufficient impetus to engage the challenges presented by difficult market conditions. Of particular emphasis will be a focus on market development and order book that secures the Group's commitment to sustainable earnings growth and value creation.

The prospects statement in the annual report and the business update at the annual general meeting cautioned investors of current uncertainty in the Group's markets. In this respect, the domestic mining and industrial sector continues to offer limited major project opportunity.

Manufacturing for export will remain marginal through the remainder of the financial year, whereas the general construction economy shows signs of sufficient activity to support current levels of activity in the Group's supplies and services business.

Headline earnings for the full year to 30 June 2004 are not expected to be significantly different to the prior year.

### **Directorate**

Mr Roy Andersen became chairman of the Board on 1 January 2004 following the retirement of Mr David Brink and in terms of the JSE listing requirements will replace Mr Peter Joubert as chairman of the Nominations Committee.

Mr Boetie van Zyl succeeds Mr Brink as chairman of the Remuneration and Human Resources Committee.

On behalf of the directors

**Roy Andersen**

Chairman of the Board

**Brian Bruce**

Group Chief Executive

**Roger Rees**

Group Financial Director

Bedfordview  
25 February 2004



## NOTICE TO SHAREHOLDERS

### Declaration of interim ordinary dividend (No. 104)

Notice is hereby given that an interim dividend of 15 cents per share, dividend No 104, in respect of the financial year ending 30 June 2004 has been declared payable to shareholders recorded in the register at the close of business on Friday 16 April 2004.

The salient dates for the interim ordinary dividend are as follows:

|   |                        |
|---|------------------------|
| Last day to trade <i>cum</i> the dividend | Tuesday 6 April 2004   |
| Shares commence trading ex dividend       | Wednesday 7 April 2004 |
| Record date                               | Friday 16 April 2004   |
| Payment date                              | Monday 19 April 2004   |

Share certificates may not be dematerialised or re-materialised between Wednesday 7 April 2004 and Friday 16 April 2004, both days inclusive.

On Monday 19 April 2004, the dividend will be electronically transferred to the bank accounts of all certificated shareholders where this facility is available. Where electronic fund transfer is not available or desired, cheques dated 19 April 2004 will be posted on that date.

Dematerialised shareholder accounts will be credited at their CSDP or broker on Monday 19 April 2004.

By order of Board

**E Marx**  
*Company secretary*

Bedfordview  
25 February 2004

### Directors:

RC Andersen\* (*Chairman*)

BC Bruce (*Managing and Chief Executive*)

BN Bam\* WP Esterhuysen\* SE Funde\* PG Joubert\* SJ Macozoma\* AJ Morgan\*

RW Rees<sup>1</sup> AA Routledge\* MJ Shaw\* KE Smith<sup>2</sup> JJM van Zyl\*

<sup>1</sup>British <sup>2</sup>Irish \*Independent

### Company secretary:

E Marx

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### Registered office

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Skeen Boulevard, Bedfordview

### Registrar

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70 Marshall Street, Johannesburg 2001

Additional information available at [www.murrob.com](http://www.murrob.com)

“Our commitment to sustainable earnings growth  
and value creation is not negotiable.”